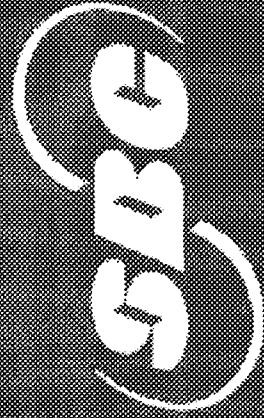


Exhibit 2

Investor Update

October 24, 2002



2002 Q3 Earnings

Agenda

3Q Overview

Ed Whitacre

3Q Results

Randall Stephenson

Qs and As



2002 Q 3 Earnings

Cautionary Language Concerning Forward-Looking Statements

Information set forth in this presentation contains financial estimates and other forward-looking statements that are subject to risks and uncertainties. A discussion of factors that may affect future results is contained in SBC's filings with the Securities and Exchange Commission. SBC disclaims any obligation to update and revise statements contained in this presentation based on new information or otherwise.



third-quarter overview

Ed Whitacre



2002 Q 3 Earnings

third-quarter **results**

Randall Stephenson



2002 Q 3 Earnings

Reported Results

(in millions except per-share amounts)

Revenues	\$ 10,556
Cash Operating Expenses	\$ 6,287
Total Operating Expenses	\$ 8,435
Net Income	\$ 1,770
Earnings Per Diluted Share	\$ 0.53



2002 Q 3 Earnings

Normalizing Factors

(in millions except per-share amounts)

Revenues

Reported **\$10,556**

60% of Cingular's
revenues 2,225

Normalized **\$12,781**

Earnings

		EPS
Reported	\$1,770	\$0.53

Force reductions	125	0.04
------------------	-----	------

International gains and charges	(212)	(0.06)
------------------------------------	-------	--------

Normalized	\$1,683	\$0.51
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2002 Q 3 Earnings

Normalized Results

(in millions except per-share amounts)

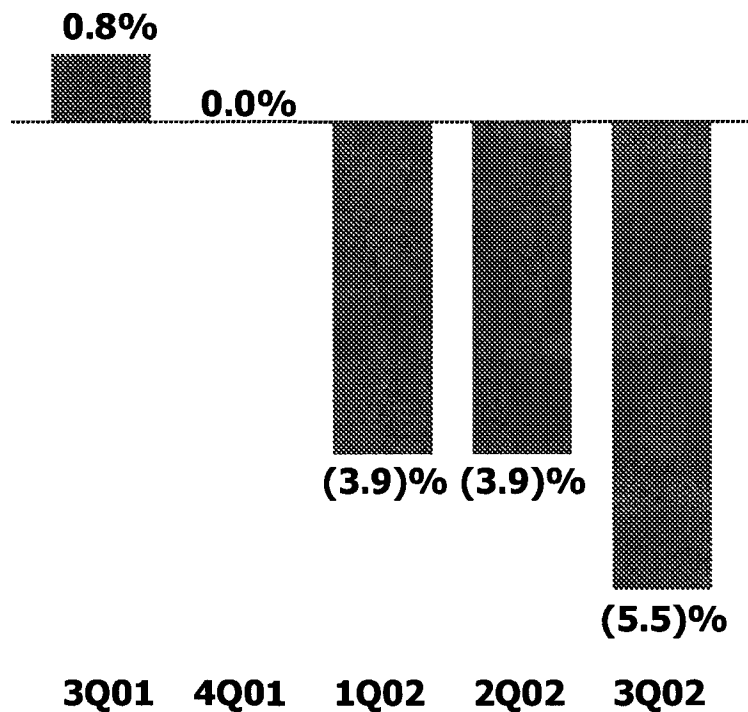
		Change from 3Q01
Revenues	\$ 12,781	(5.5) %
Cash Operating Expenses	\$ 7,651	(3.0) %
EBITDA Margin	40.1%	(160)bp
Net Income	\$ 1,683	(15.8) %
Earnings Per Diluted Share	\$ 0.51	(13.6) %



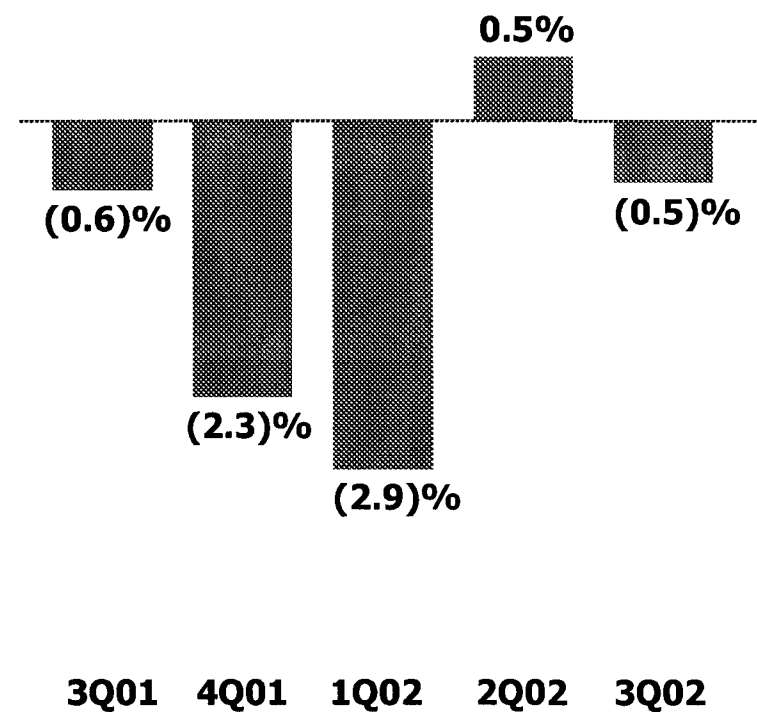
2002 Q 3 Earnings

Revenue Trends

Consolidated Revenues YOY Growth



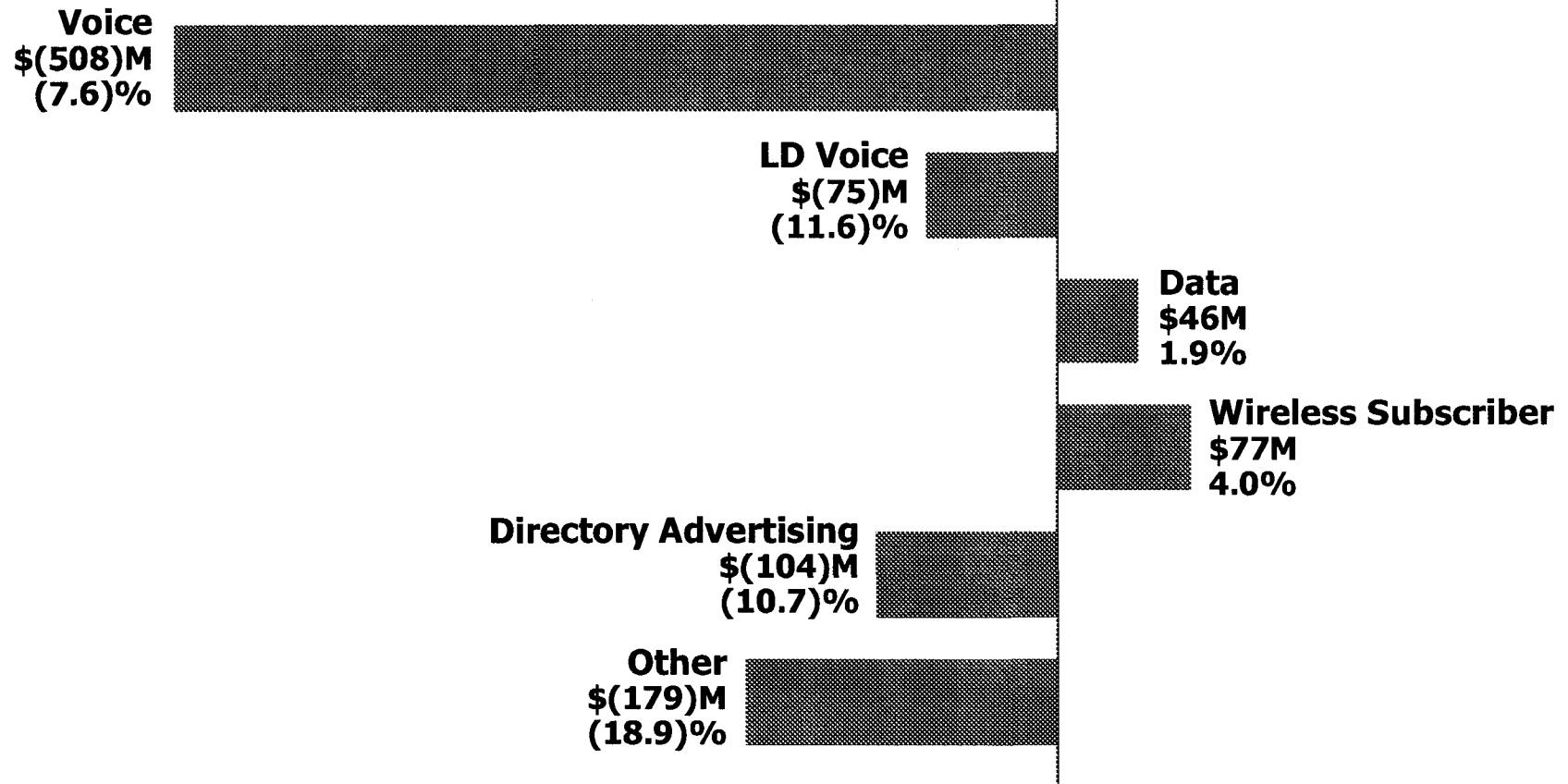
Consolidated Revenues Excluding Directory Sequential Growth



2002 Q 3 Earnings

Revenue by Product Category

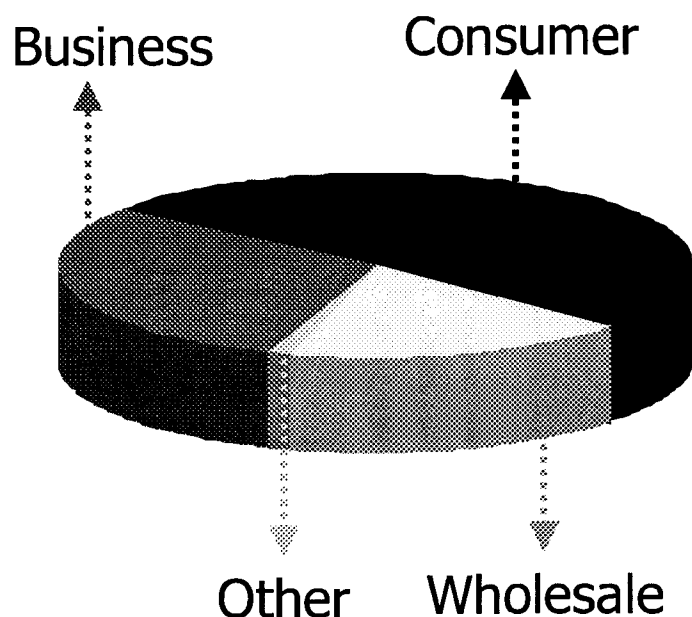
YOY Difference - 3Q02/3Q01



2002 Q 3 Earnings

Voice Revenue Growth by Customer Segment

Segment Revenue Mix 3Q02



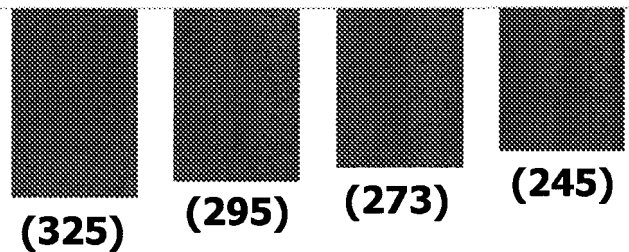
YOY Growth Rates

	3Q02	2Q02
Consumer	(8.3)%	(4.4)%
Business	(8.0)%	(13.7)%
Wholesale	2.0 %	(4.6)%



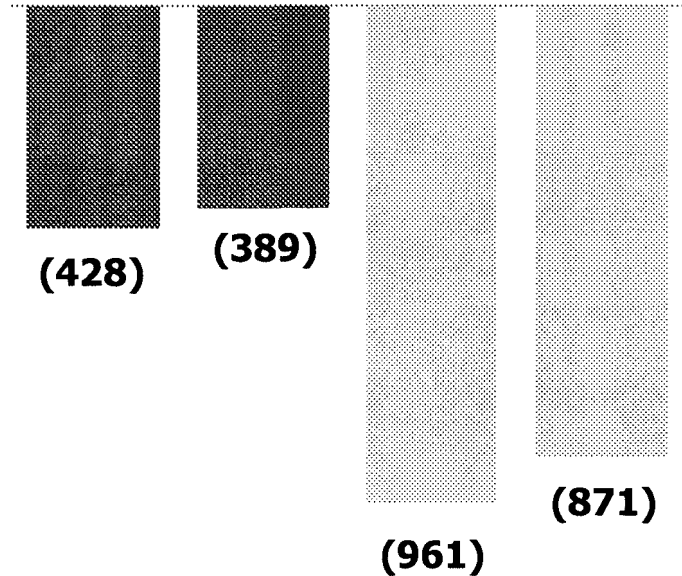
Retail Access Line Trends

Business Non-ISDN Quarterly Change (in thousands)



4Q01 1Q02 2Q02 3Q02

Consumer Quarterly Change (in thousands)



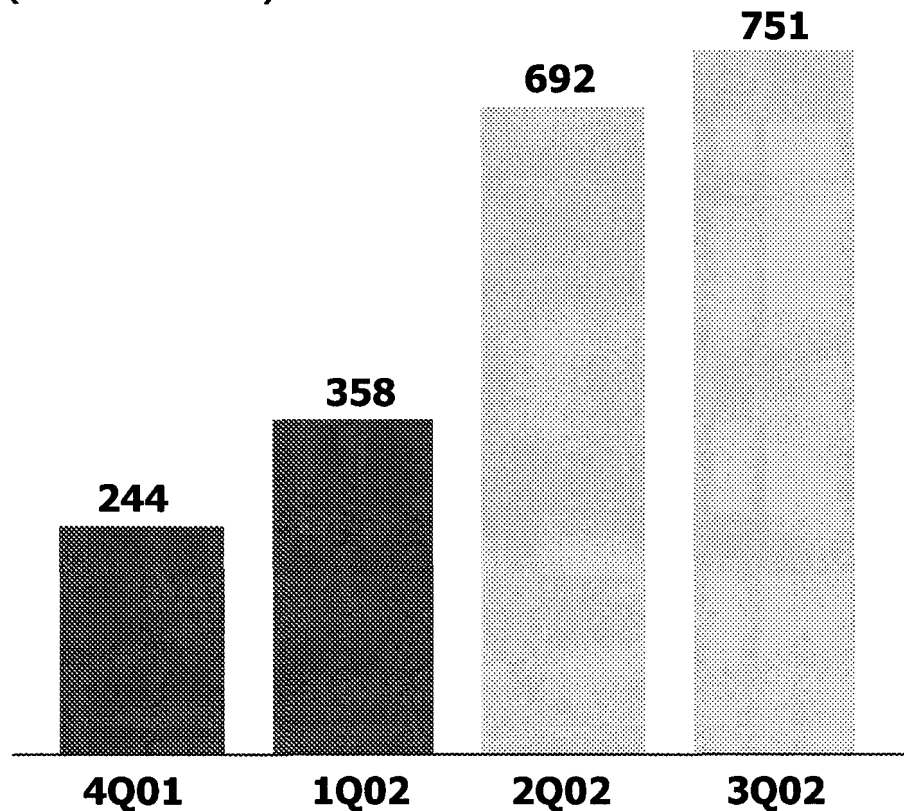
4Q01 1Q02 2Q02 3Q02



2002 Q 3 Earnings

UNE-P Trends

Quarterly Change in UNE-P Lines (in thousands)



- Nearly 90% of 3Q net UNE-P change was consumer
- 82% of the 3Q UNE-P line change came from 5 lowest-priced states
- SBC currently operates without LD freedom in all of these states

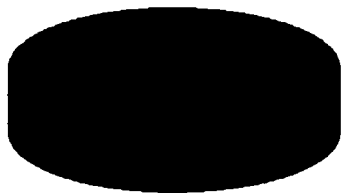


2002 Q 3 Earnings

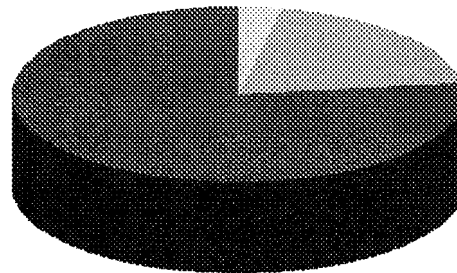
UNE-P by Region

Quarterly Change in UNE-P Lines

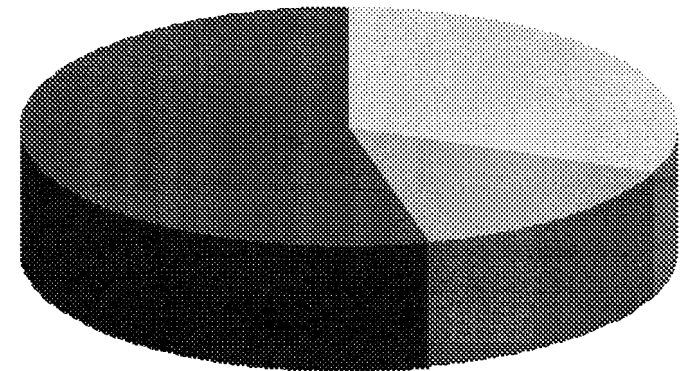
3Q00
256,000



3Q01
399,000



3Q02
751,000



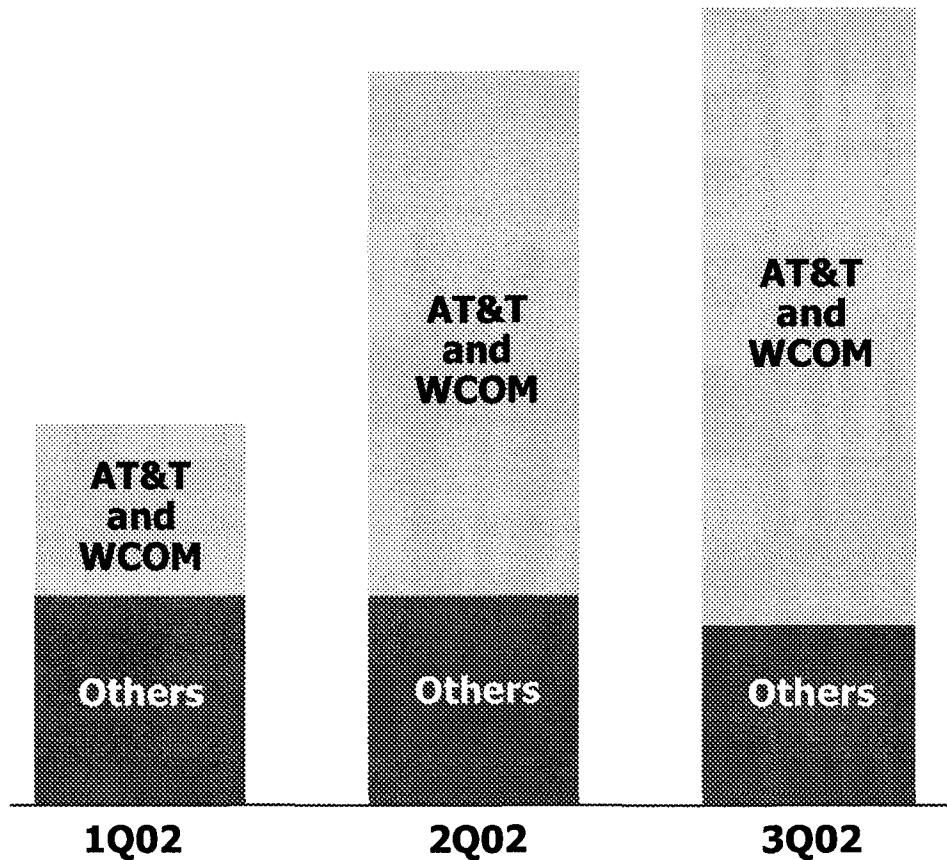
■ SBC Ameritech ■ SBC Pacific Bell ■ SBC Southwestern Bell



2002 Q 3 Earnings

Users of UNE-P

Quarterly Change in UNE-P Lines



- More than 75% of SBC's UNE-P lines added in 3Q02 were for the two largest IXC's
- From 1Q02 to 3Q02, UNE-P lines added for AT&T and WorldCom/MCI more than tripled while UNE-Ps added by others actually declined



SBC Initiatives

- **Regulatory**

- Meetings with FCC and key state regulators
- Cost studies

- **Costs**

- Additional 11,000 force reduction
- Cuts proportionately greater in states with lowest UNE-P
- Lowering cap ex to about \$5 billion in 2003

- **LD Entry**

- California
- Ameritech states

- **Marketing Initiatives**

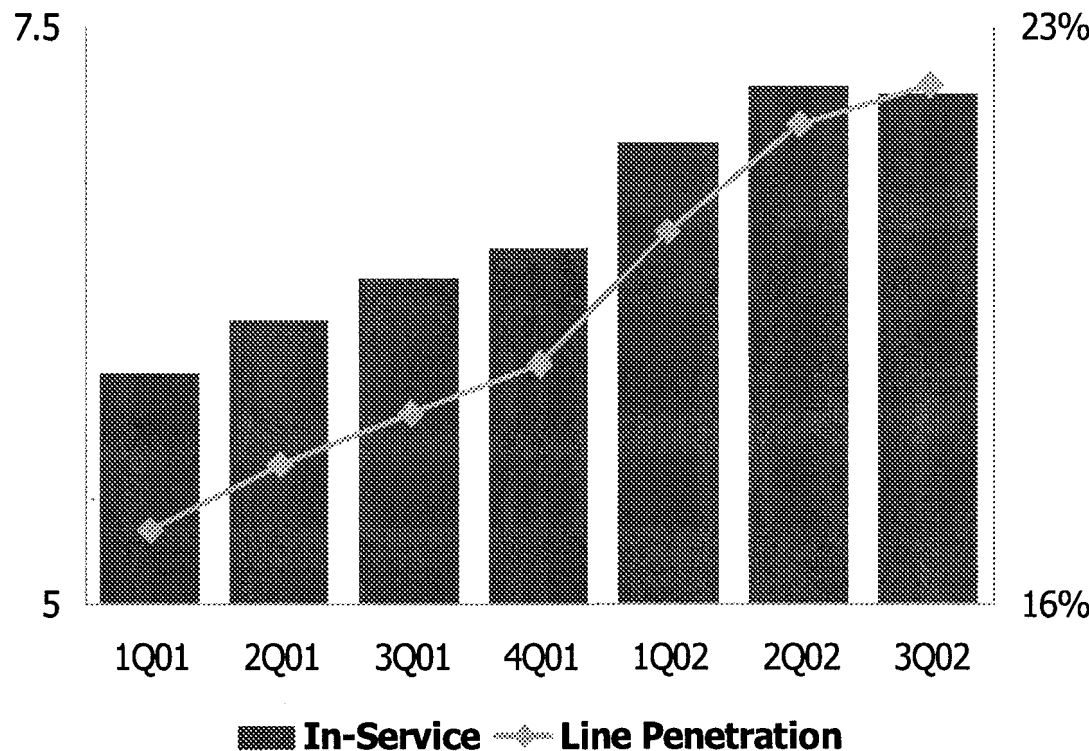
- Aggressive product bundling
- Expanded winback, retention efforts



Growth in Consumer Bundles

Consumer Bundles In-Service

(in millions)



- 23% >7 million consumer bundles in service ... up 13% over past year
- 400 bp increase in line penetration versus 3Q01
- Newer bundles provide greater product choices



2002 Q 3 Earnings

Extensive Product Bundling

Products Available for Bundling

	SBC Southwestern Bell	SBC Pacific Bell	SBC Ameritech
Local Voice	✓	✓	✓
InterLATA LD	✓		
Broadband	✓	✓	✓
Wireless	✓	✓	✓
Video	✓	✓	✓

- Savings grow with more services in bundle
- Responding to customer requirements
 - Flexibility and choice
 - Savings
 - One bill
 - One stop
- Video available through EchoStar*

* Billed separately by EchoStar



2002 Q 3 Earnings

Texas Consumer Offer

Texas Consumer Bundle – \$95

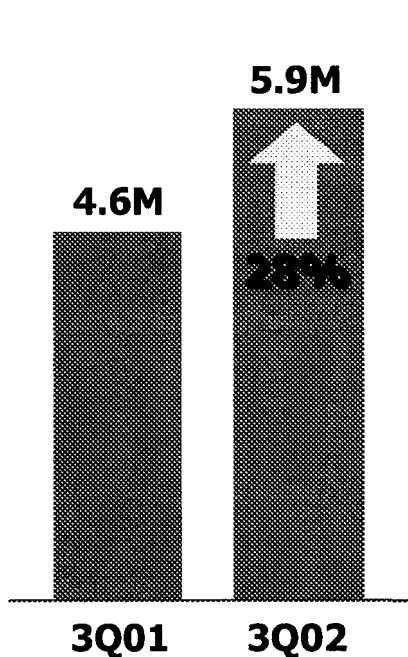
Cingular Wireless	<ul style="list-style-type: none">• 250 peak minutes• 1,000 nights and weekends
DSL	<ul style="list-style-type: none">• \$29.95 for 12 months• \$39.95 after 12 months
LD	<ul style="list-style-type: none">• 200 minute block of time• \$0.08 per minute after allotment
Vertical Features	<ul style="list-style-type: none">• Caller ID and Call Waiting• Privacy Manager
Local Voice	<ul style="list-style-type: none">• Access line• Unlimited local usage

- Total bundle price of \$95 per month
- Optional EchoStar service for \$27.95 per month with local programming
- Customers have flexibility to add features or expand calling plans

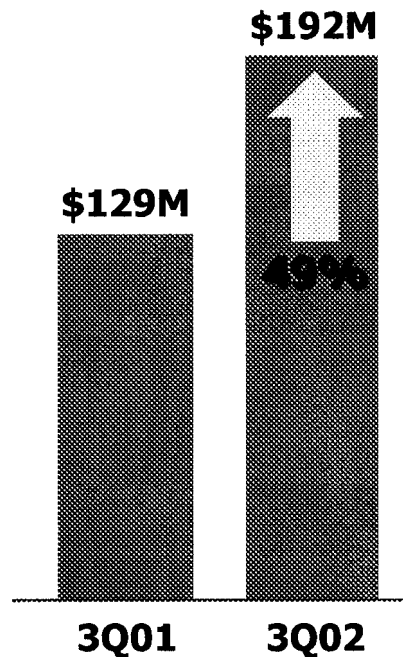


Long-Distance Growth

InterLATA LD Lines



InterLATA+Intl. LD Revenues



- Plan to enter California LD market by the end of this year
- Project state approval for the five Ameritech states in the first half of 2003

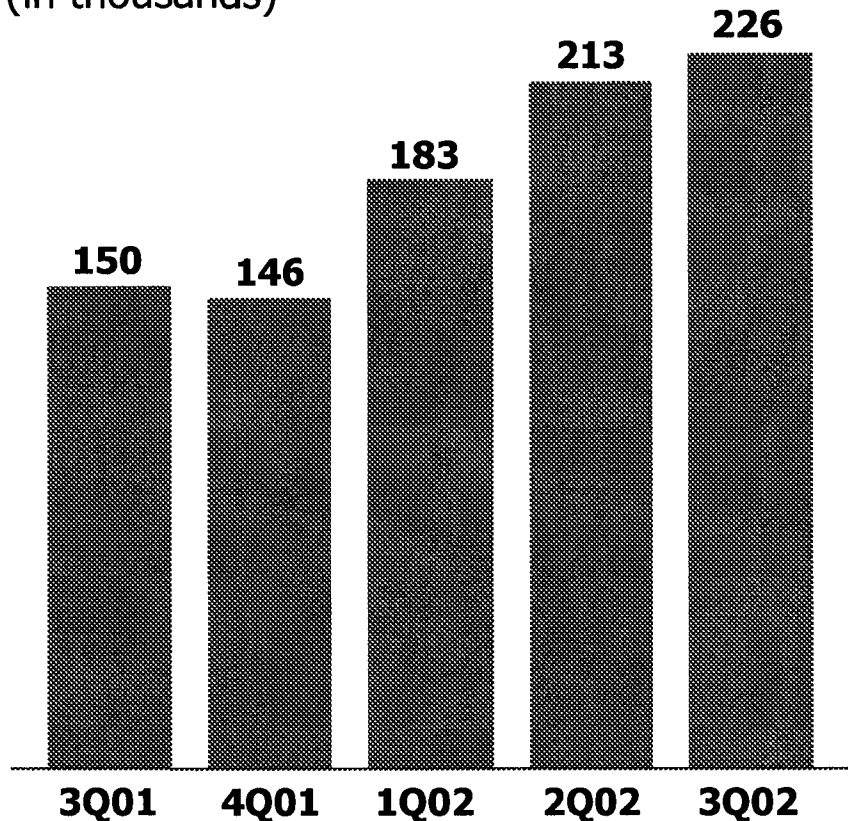


2002 Q 3 Earnings

Strong DSL Growth

DSL Net Adds

(in thousands)



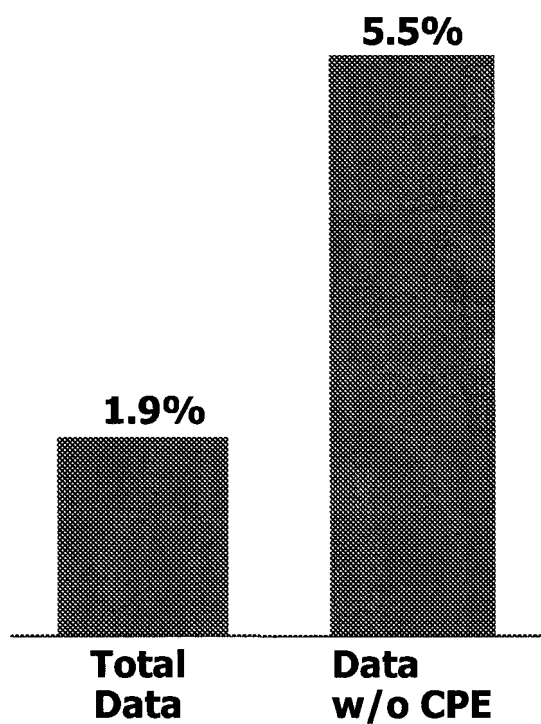
- 2 million subscriber milestone reached in October
- >50% growth in net adds versus 3Q01
- 3 consecutive quarters with sequential growth in net adds
- Robust value proposition
 - SBC Yahoo! Portal
 - Speed Tiers



2002 Q 3 Earnings

Data Growth

Data Revenue Growth 3Q02 YOY



Data Transport Revenue Growth Rates

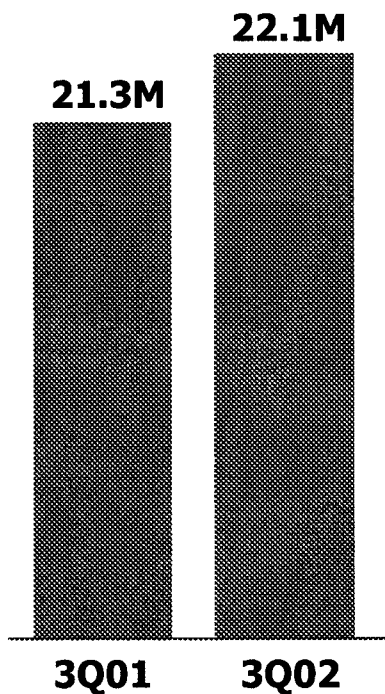
	YOY
SBC	3.3%
Consumer	47.0%
Business	(1.4)%
Wholesale	3.3%



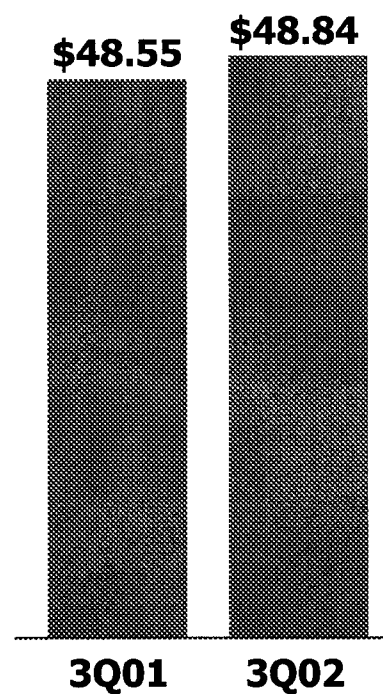
2002 Q 3 Earnings

Cingular Growth

Subscribers



Subscriber ARPU (monthly)



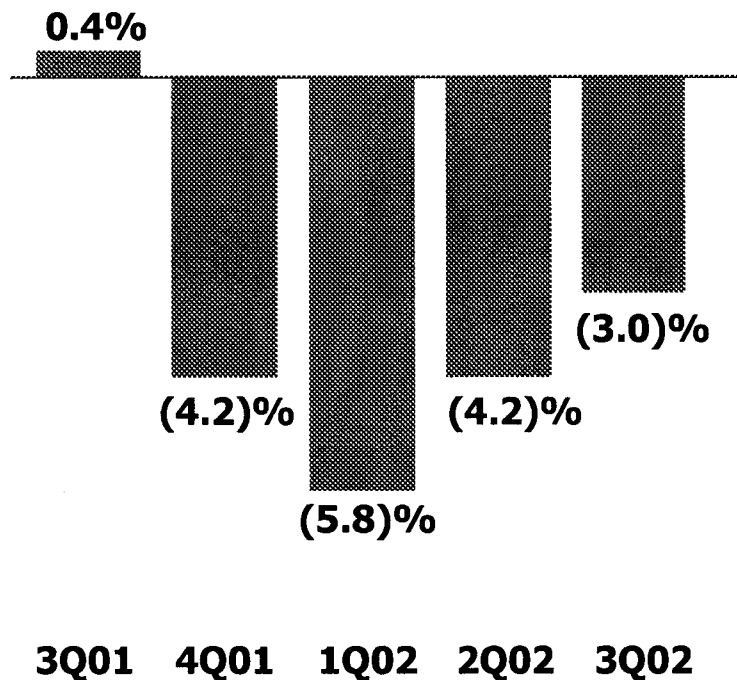
- 253,000 digital contract net adds in 3Q02
- 5th consecutive quarter with year-over-year increase in subscriber ARPU



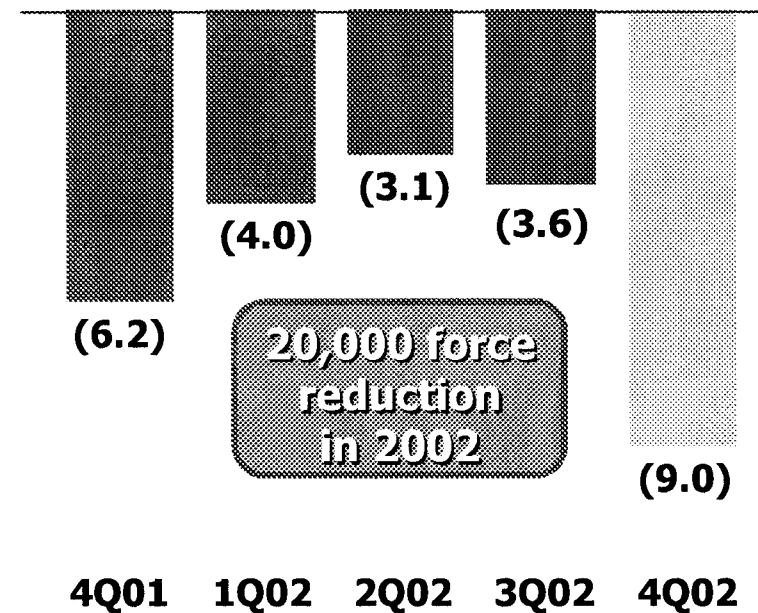
Operating Expenses

(normalized)

YOY Cash Operating Expense Growth



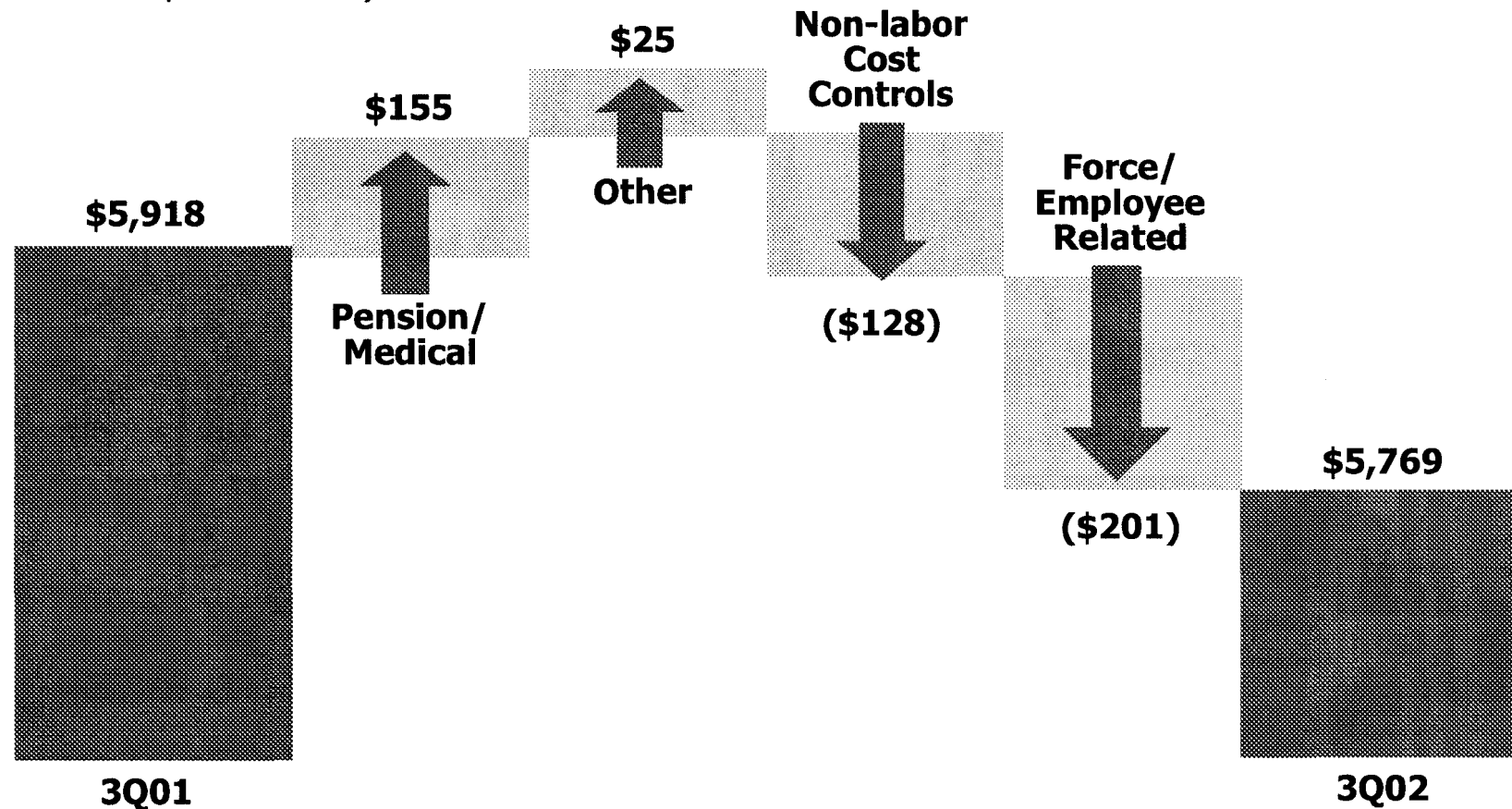
Force Reductions (in thousands)



2002 Q 3 Earnings

Wireline Expenses

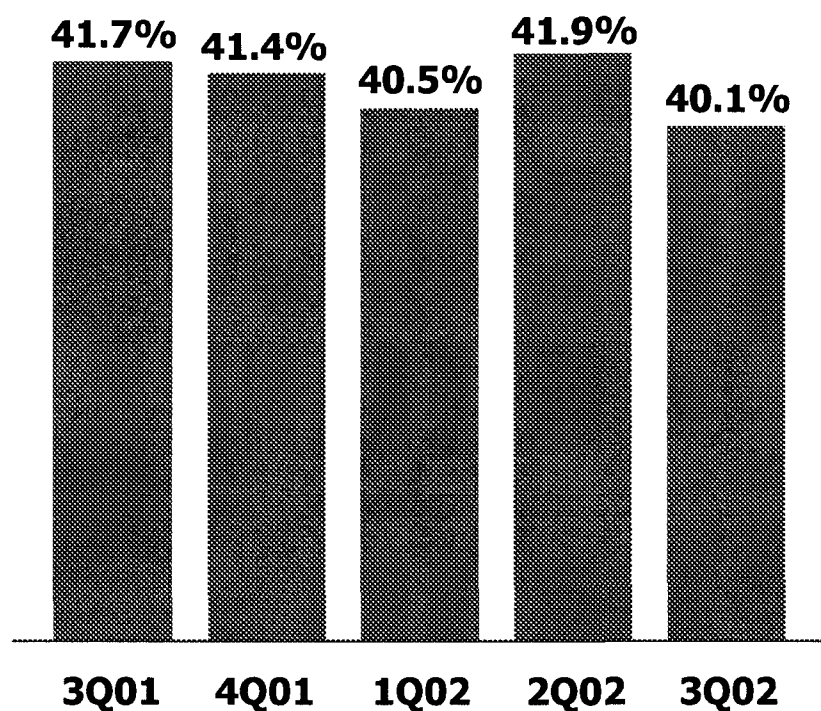
(normalized, in millions)



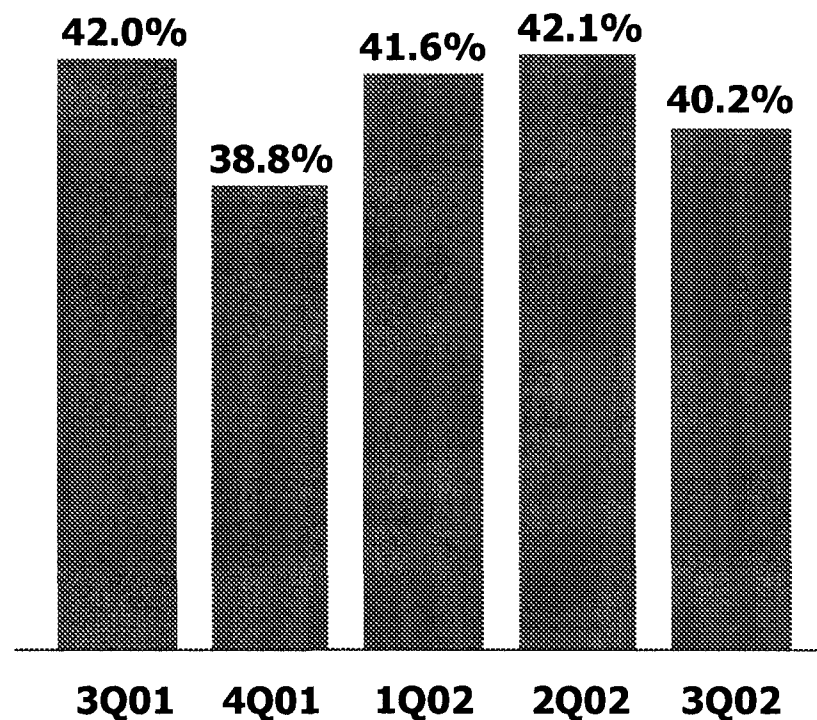
2002 Q 3 Earnings

EBITDA Margins

SBC EBITDA Margins



Wireline EBITDA Margins



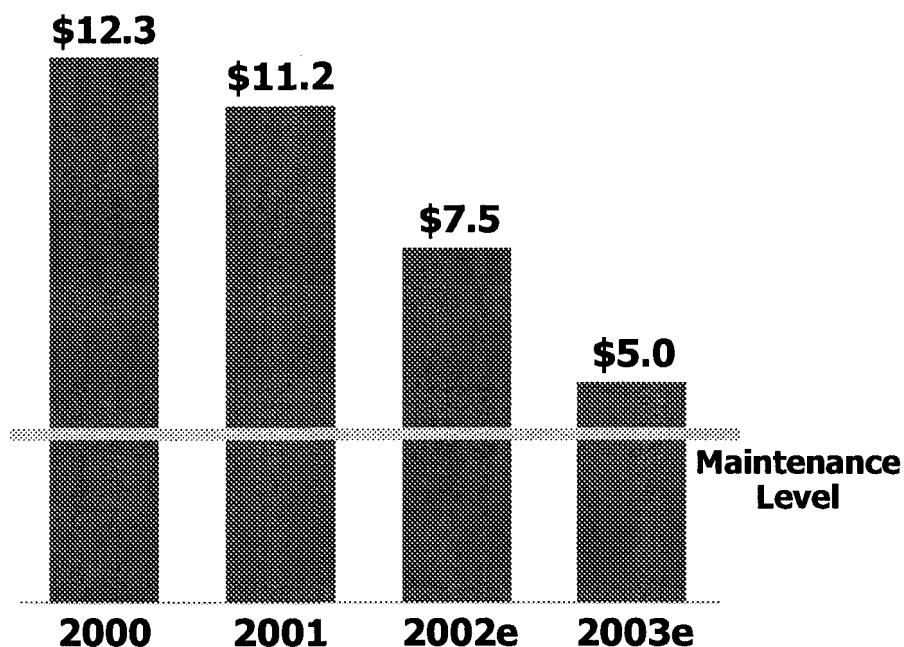
2002 Q 3 Earnings

Disciplined Cap Ex

(excludes wireless)

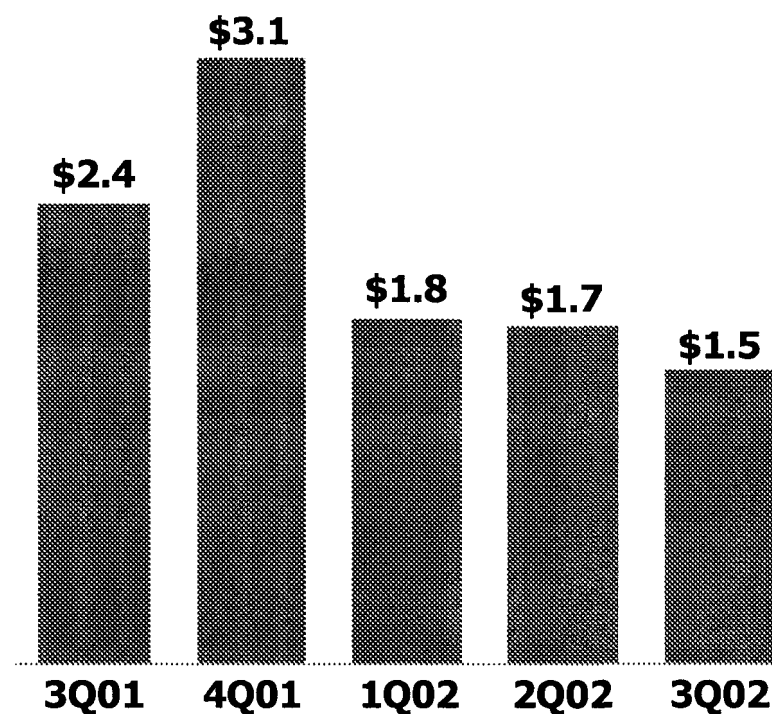
Annual Capital Spend

(in billions)



Capital Spend By Quarter

(in billions)

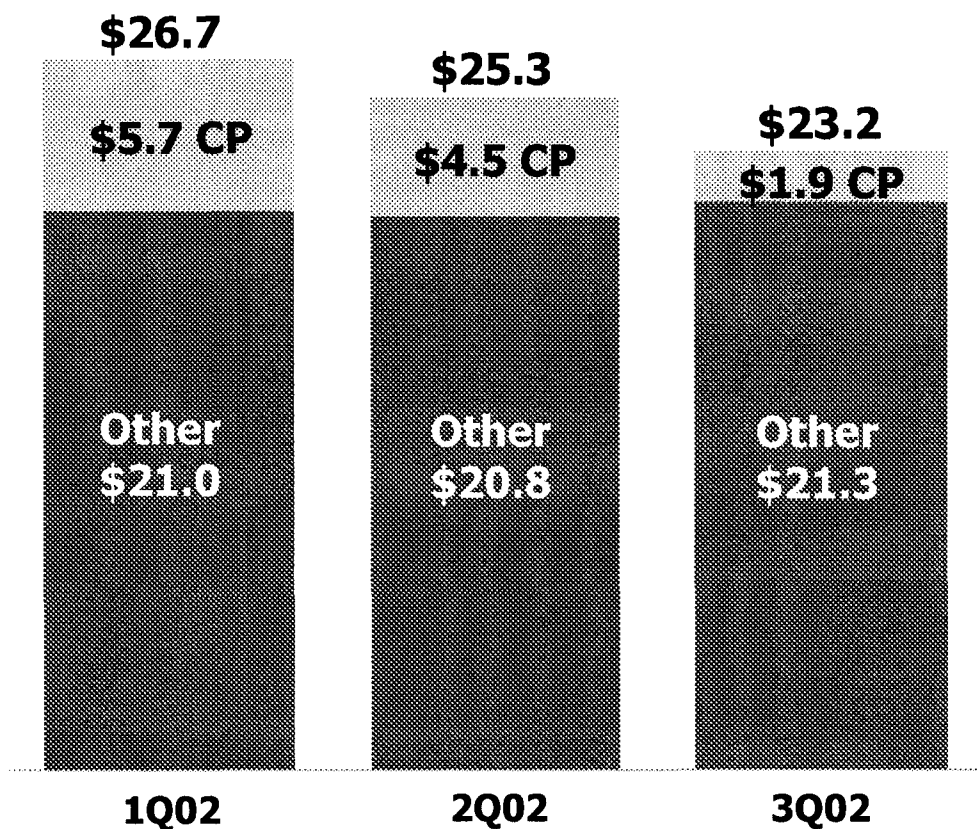


2002 Q 3 Earnings

Strong Balance Sheet

Debt Balances Net of Cash*

(in billions)



Over last six months:

- \$3.5 billion total debt reduction net of cash
- \$3.8 billion cut in commercial paper net of cash ... \$2.6 billion cut in 3Q02

* Commercial paper shown net of cash



2002 Q 3 Earnings

Clear Focus

- Cost discipline
 - Sustained productivity improvements
 - Cap ex
- Long-distance expansion
- Marketing/bundling initiatives
- Full-year EPS target of \$2.26, before one-time items



ANNOUNCER: The acceleration we're seeing in UNE-P. Retail voice revenues, both consumer and business, show an 8 percent decline. Consumer makes up about half of the voice revenue pie; business about 30 percent. The consumer declines in voice were driven primarily by retail line loss, some substitution in cable competition, but for the most part it's UNE-P. Declines in business voice revenues are largely driven by the economy, and if you adjust for some one-time regulatory issues, business voice revenues declined about 8 to 9 percent year over year for each of the last two quarters. That's just reinforcing that the economy remains stagnant in our regions.

The difference between business and consumer voice is also clear when you look at our retail access line trends, and these are showing on slide 12. Business retail lines, excluding ISDN, continue to decline, but at a slightly slower pace. If you exclude ISDN in the 3rd quarter we lost 245,000 business lines. Consumer retail line losses actually accelerated dramatically in the past two quarters, and again that's driven by companies using UNE-P. So if you look at slide 13, what you see is we had a net increase of 751,000 UNE-P lines in the quarter. That's up from last quarter, and it's the largest UNE-P quarter in our history. Nearly 90 percent of those losses were residential,

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and more than 80 percent were from the five lowest priced UNE-P states in the country. Those are all states for where you're not allowed to offer long distance.

Over the past couple of years, you see two big changes when you look at our UNE-P. They're both clear on slide 14. First, net ads have grown dramatically. Our losses this quarter are triple what we had in the 3rd quarter two years ago. Second, there's a big change in where those losses are coming from and how they're being used. Two years ago, they all came from Southwestern Bell, pretty much in the same time frame as we were launching long distance. When we were entering the long distance market, we were seeing UNE-P usage. That's logical; it was driven by competition. But more recently use of UNE-Ps has not tracked with LD entry. Usage has followed the lowest prices for UNE-P. But for us that's primarily the Ameritech's phase and more recently from California. That's well ahead of LB; it's not driven by competition. It's driven by a policy that forces the ILEX to subsidize the IXCs. This quarter more than 75 percent of our UNE-P went to the two largest LD carriers, AT&T and WorldCom. AT&T was the largest single user of UNE-P this quarter, followed by WorldCom, and over the past two quarters, from 1st quarter '02 to 3rd quarter '02, UNE-P lines

going to AT&T and WorldCom have more than tripled, while UNE-Ps used by other competitors have actually declined.

As I said earlier, we have a bias toward action, so to respond to this current environment, we've acted in four key areas: first, we're coordinating and working with the regulators to address the UNE-P issue. We've taken necessary steps to further reduce costs, with an additional forced reduction in cap ex targeted at \$5 billion next year. We're working hard to accelerate LD entry in our remaining states. And we have a number of marketing initiatives under way. They're all centered around bundling. What you see on slide 17 is that over the past several quarters, we've accelerated significantly our growth in bundles. We now have over 7 million consumer bundles in service. That's up 13 percent from a year ago. Line penetration improved 400 basis points over the same period, and the key to being able to provide more choices and combining that with simplicity. We had extensive capabilities in bundling with a broad product mix and a lot of what customers want. We offer a single bill; we offer savings. We offer one-stop shopping, because we can put together a lot of services, local, lots of features, DSL, wireless, video through EchoStar, and in six states we offer the one bundle element that customers

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really want, and that's LD. So on slide 19 you see one of our new bundles and what it looks like in Texas where we're in long distance. It's a \$95 plan, and it includes singular wireless, DSL, long distance, and you can even add satellite video if you want. The key to bundling is interLATA long distance, where we continue to make some pretty good progress. We added 318,000 long distance lines in the quarter. Our last two 71-states came on board nearly a year ago, which means we're well up to penetration curve in each of our states. So this is a solid growth number. We now have 5.9 million subscribers in six states. Our international and interLATA revenues grew 49 percent versus a year ago. We're making inroads in business LD. Our five Southwestern Bell states medium and large business revenues increased 80 percent sequentially, and most important, we're approaching entry into the largest market in the country, California, and we project long distance approval in all five Ameritech states in 2003. As you can see on slide 21, DSL continues to do well. We had 226,000 net ads in the quarter. It was our best performance in seven quarters, in our 3rd consecutive quarter of accelerated growth. We're keeping the momentum up in the 4th quarter; we've already crossed the 2 million mark as Ed pointed out.

Looking at our other revenue categories, let me take a minute to cover where we are in data and wireless. Data services continue to be a big part of our business, more than 25 percent of our total wire line revenue stream this quarter. As we show on slide 22, our total data revenue stream grew just under 2 percent, and excluding CPE, it grew about 5-1/2 percent. That's pretty much in line with our recent trend. Looking at our core transport data stream, consumer growth was strong, 47 percent, about what you'd expect given our DSL ramp. Wholesale was up slightly, and business which makes up nearly 50 percent of our data transport revenues, was down slightly. The demand trans in our business revenues really haven't changed much from what I showed you last quarter. Large business revenues are flat. ISP revenues are down big. Small and medium business revenues continue to hold up pretty well. On page 23 I provide an overview of Cingular's quarterly performance. Since Bell South covered their results during their call on Tuesday, I won't spend much time discussing them today, so there's some additional information available out in our investor briefing. But I suffice to say we added 253,000 digital post-paid customers this quarter, and we grew our ARPU for the 5th consecutive quarter.

As I had mentioned, throughout our operations, we continue to put a lot of emphasis on cost management. On a consolidated basis we delivered our 4th consecutive quarter with year over year declines in cash operating expenses. In our wire line business, we've done it 5 quarters in a row. Now, unfortunately in our business reducing expenses means lower force levels. And given what we've committed in the 4th quarter, we will have reduced force by 20,000 this year. Slide 25 gives you a waterfall look at our cash operating expenses. We had significant declines in force and in employee-related expenses as well as from non-force cost control efforts. But these efforts were offset in part by upward pressures from pension and medical, and just like every other major company in the U.S., we're seeing significant pressure in this expense category despite reduced force level. Our cash operating expenses were solid, but they weren't sufficient to fully offset our revenue pressures, and as a result, our EBITDA margins slipped to 40.1 percent on a consolidated basis, and 40.2 percent for wireline. We continue to drive down capital spending. Cap ex in the 3rd quarter was 1-1/2 billion, down from 1.7 billion in the 2nd quarter, and down substantially from year ago levels. We're at 5 billion in cap ex through 3 quarters, and that's still above

what we consider to be a maintenance level of capital spending. This capital discipline has allowed us to reduce debt and to further strengthen our balance sheet. Over the last six months, we've reduced total debt net of cash by \$3-1/2 billion. We've cut commercial paper balances net of cash by two-thirds, from 5.7 billion to 1.9 billion. And given the regulatory and economic uncertainty we're facing, we'll continue to reduce debt.

Let me conclude with a brief comment on what you should expect from us going forward. Clearly, you can expect a focus on cost. We're very focused on marketing and bundling initiatives. This is where we have a clear competitive advantage. We'll have Thur in a minute when we get into long distance in California in the Ameritech states. So finally as I said on our news release a couple of weeks ago, we will continue to target EPS before one-time items of \$2.26 for the full year. We typically have a significant step up in 4th quarter earnings from directory. This year that step up looks like it'll be even steeper because of some schedule changes, so I think we'll make \$2.26. That concludes our formal comments, and at this point, we're ready for Q and A. Operator?

ANNOUNCER: Thank you. We will now begin the question and

answer session. If you have a question, you'll need to press the "1" on your touchtone phone. You'll hear an acknowledgement that you have been placed in queue. If your question has been answered and you wish to be removed from the queue, please press the pound sign. Your questions will be queued in the order that they are received. If you are using a speakerphone, please pick up the handset before pressing the number. Once again, if there are any questions, please press the "1" on your touchtone phone. We have Adam Quinton from Merrill Lynch on the line with a question. Please state your question.

ADAM QUINTON: Yes, I just like to ask a couple of things. Firstly, on the data business. Randall, you highlighted trends that pretty much have been for a while, but obviously you have been absorbing some significant hits there over a period of time, the rundown of equipment revenues, the decline in ISPs, wholesale business, e-business being weaker. And I wonder at what point those negative downtrends work their way through so some of the underlying growth stocks can be seen again. Specifically in that context, I guess it's pretty difficult to say, but wondered if you had any visibility at all as to when the large enterprise spending you might see some relief on that front because you mentioned that continued to be pressured. And

a second quick question on the buyback. I note that the buyback in terms of dollar amounts was about 30 percent, the run rate we've seen in the first 2 quarters, and I wondered how you were thinking about buyback looking through to the end of the year and into early next year. Thanks.

RANDALL: Sure, thanks Adam. Starting with the data question, when do we expect the equipment pressure to wash out? We're probably getting close to that. It continues to be down year or year, but not nearly as dramatic as it was the first couple of quarters. So probably 4th quarter will be kind of the last quarter we'll see significant pressure there. In terms of the ISC trend, I really don't have much visibility. It continues to be down dramatically. Last quarter we showed it was down 44 percent. It's not much better than that this quarter. Consolidations continue to occur, bankruptcies continue to occur. They're all grooming networks. We continue to see pressure there. I think you'll see that through the rest of this year. In terms of when do large enterprise businesses begin buying again, that's driven by the economy. When you see them start to hire again and you see large business begin to invest capital again, that's when you'll see that turn. So I can't give you much more other than my own prognostication on

the economy, which hasn't been too good so far.

Concerning the share buyback, when you look at the numbers you'll see that we largely stopped the share buyback program in the 3rd quarter. And I'll just tell you, in this environment right now, with all the uncertainty, regulatory uncertainty, we are focused on paying down debt and shoring up the balance sheet. And you should expect to see that throughout the remainder of the year.

ANNOUNCER: We have Simon Flannery from Morgan Stanley on line with a question Please state your question.

SIMON FLANNERY: Good morning. Two quick things on strategy. First, as we approach getting 271 across the country here, how are you thinking about the enterprise opportunity and what sort of plans would we like to see in the next few months. And also, we talked in the past about wireless consolidation; what are your thoughts on that at the moment?

ED WHITTAKER: I'll take the second one first, Simon, it's Ed Whittaker. I think that consolidation is badly needed in the wireless industry. I've said before, I think it'll happen. I think it's sooner rather than later. Beyond that, I really can't comment. And we're anticipating being in long distance in all our states, hopefully by the middle of next year. We do

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have some enterprise plans on our LD. We have those plans in place. Remember, we have a telecom organization which has 300 points of presence across the country outside our territory, so obviously we've been busy on that, waiting for 271 approval. So we plan to step that up in the future.

SIMON FLANNERY: And do you think the CPUC's talks on intrastate being sort of not allowed, is that going to put a span on the work so you think legally the federal trumps the state there?

ED WHITTAKER: I think we'll have to wait and see. As you know, there are a lot of rumors out there. All I know is something's going to happen in the next few months.

ANNOUNCER: We have Frank Gabernelli from Goldman Sachs on line with a question. Please state your question.

FRANK GABERNELLI: Thank you. Two questions. First on costs. Margins got compressed in the quarter, and as the tough revenue environment persists, obviously cost-cutting's going to be critical. I'm hoping to get some insight to next year, but maybe more specifically, with 20,000 job cuts, that implies a cost reduction for next year, perhaps a size 2 billion related that specifically. I doubt all of that flows to the bottom line, but Randall, I wonder if you can help us understand how

much of that might. Secondly, unrelated topic really. On LD, AT&T continues to talk about the potential for the Arbox to stabilize or get to a plateau market share in LD of in the 35 to 40 percent, which to me seems kind of low. And I'm wondering if you have any insight into what your take rate is for LD among those customers who come in for the first time to order local service, which may be a better indicator of what long-term market share is for you guys.

RANDALL: Sure. I'll take the second one first, this is Randall. In terms of that plateau market share, if you're trying to discern what percentage of the intake takes long distance, that number tends to be in excess of 50 percent, Frank. So AT&T's plateau market share, I probably would have a hard time arguing with. If you want to look at a real mature market where we've been in LD for a while is Connecticut. And we're at about a 60-plus percent market share there. So those numbers kind of hang. In terms of margins ion the quarter, it slipping and so forth, we had some pressure on expense. All of our union and management wage increases hit July 1, which put some pressure on the 3rd quarter margins. Taking out 20,000 jobs, I'll tell you kind of the way that thing shakes out, about half of that actually are people doing installation and

provisioning; it affects capital. The other half, it's expense, so it's probably kind of a good rule of thumb to use when you're looking at that \$2 billion number.

FRANK GABERNELLI: So when we think about your capital spending next year, perhaps billion dollars of the reduction may simply be due to job cuts?

RANDALL: Yeah, that'd probably be about right.

ANNOUNCER: We have Jeff Halpern from Sanford Bernstein on line with a question, please state your question.

JEFF HALPERN: Good morning, guys. The question is two parts. The first one is on the wireline business. Could you talk a little bit -- you've talked a bunch about cost cutting. What are you doing beyond just the head counts to really streamline and automate underneath that to just make SBC a more efficient organization. And then secondly for Randall, could you talk a little bit about how the run rate on your DSL sub additions, which were very nice and high, how that's going to change the timing of when you see that business starting to contribute to earnings? Thanks.

ED WHITTAKER: I can talk about the wireline (inaudible) first. We're doing a lot of things. Among those are on the cost side, the consolidations of call centers certainly doing a

lot of that. We're using some technology, GPS specifically, to try to improve our productivity. Across the board we're looking at all the expenses, the use of contractors, the use of services. So I think we've got a pretty good plan in place to continue to reduce the expenses like we want to go.

RANDALL: As far as the DSL subscriber ad, Jeff. This run rate we're on is pretty consistent with the plans we had in place. In fact it's lying right on top of the original plans. So in terms of our profitability contribution, it hasn't changed at all. We said that magical point for us is 10 percent penetration, and we're beyond that in California. We're about 7 percent overall. And just try and get to that 10 percent penetration level.

ANNOUNCER: We have Blake Bass from Lehman Brothers online with a question, please state your question.

BLAKE BASS: Good morning. Couple of questions. On slide 9, Randall, you talked about the sequential revenue growth this quarter and over the last 5 quarters, and clearly there's an affirming trend with the last two being effectively flat sequentially. Can you give us some sense of where you think that's going to be in the 4th quarter when you "X" out the directories, business. Second, with regard to cap ex, I guess

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your numbers imply 2-1/2 billion in 4th quarter spending. Seems high relative to where it has been on a year to date basis and over the last couple of quarters. And then finally in last quarter's release you noted a free cash flow number, and living in the Washington, D.C. area and seeing all the advertisements run by Voices for Choices where you talk about free cash flow, I can certainly understand you not wanting to put that in the release. For us, what is the number in the quarter?

RANDALL: Yeah, in the investor briefing, you have a cash flow statement. You can see it. It's running right on trend in terms of what we said our guidance flows for the year. Keep in mind, we're doing this deliberately, trying to get debt paid down, try to get the balance sheet in shape for the uncertainty that's out there ahead of us. The cap ex for Q4 does run higher than the current run rate; it always does, though. Seasonally it tends to be higher in Q4. So \$2-1/2 billion reflects some seasonality. And I would tell you our sequential growth rate right now, I would tell you not to expect much change. It's been running pretty flat for about the last 3 quarters, and so I'm not seeing much movement.

ANNOUNCER: We have Michael Bowen from Sound View Technology online with a question; please state your question.

MICHAEL BOWEN: Thank you, good morning. Following right up on the cap ex question, can you provide us any detail on if you do spend to \$7-1/2 billion, which of course implies 2-1/2 in the 4th quarter. Can you give us a breakout of that. And then second question is, it appears that the wireline EBITDA margins as shown in your slide was the area that took the brunt of almost 200 basis point hit sequentially. I'm curious whether you were able or whether you have tried to bring up any of the additional 9,000 head count reduction from -- I think you said you were going to do that in the 4th quarter. It looks like you were not able to. Did you try to, or what was the cause of that pretty good decline there in the EBITDA margin on the wireline business?

RANDALL: On the EBITDA margin, it was real simple. We had again, all of our management and non-management wage increases go in July 1, and so we just had a 4 percent step up in wages, 3 to 4 percent, and that's pretty much it. In terms of a breakout on cap ex, there's not going to be in terms of composition any difference in kind of the weighted average as what it's been year to date. There's no big items. It's not expecting a big ramp up in high cap services or anything; it's pretty much just a general seasonality ramp. Tend to have a lot of right to use

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these, but do come up in the 4th quarter, that's what typically drives it.

MICHAEL BOWEN: Given that you would almost appear to as you've been able to use cap ex investment as a little bit of lever against the regulators, it seems like you might be letting up on that by showing your cards that you might be spending quite a bit more in the 4th quarter. Am I reading that correctly?

ED WHITTAKER: No, you're not. Michael, we're not using this as a lever against regulators, we're doing this to keep our business healthy and to keep our margins healthy, and that's the reason we are reducing our investment. It has nothing to do with regulators; all you have to do is look at our numbers and you'll see why we do it.

ANNOUNCER: We have Mark Crossman from J.P. Morgan online with a question. Please state your question.

MARK CROSSMAN: Yes, I just have two quick questions. One relates to the effect of the economy. Can you maybe just really talk about the business market and how quickly you think that stock kind of organically growing? And then also given that you've had such a strong housing market, what do you think that the real underlying growth rate of primary access lines is in

the residential market if you were to kind of back out all your substituted (inaudible) et cetera. And then on the FCC side, you say you're working with the policymakers. What are you proposing, because it sounds like just talking to them, the two biggest issues that they have on the loop space competition side are one, the cost of the hard cuts, and then two is the provisioning intervals on loop space competition. So are you guys doing any work on that side to help them get to where they need to be?

ED WHITTAKER: I think with the regulators, we're clearly looking for some solutions here, and it needs to be a win/win for both sides. We can't keep selling this stuff below cost. And so a lot of proposals have been put forth, a lot of people are participating in that. It's obviously a difficult answer to come up with, but we are working and providing inputs when asked to, and we want to be constructive in the process.

RANDALL: Regarding the housing market and primary line growth mark, I would say your overall market growth, our assessment right now is primary lines are not growing in the market. They're basically flat, slightly down over the last couple of quarters. In terms of the effect of the economy from the business market and opportunity for organic growth, it's one

of those things that when the economy does turn, I think the opportunity is there that access lines on the business side will grow. I think we all fundamentally believe that, that we'll get into a growth mode on access lines. It ought to reflect GDP, I don't see any reason why it should not. And the real wildcard is the high cap growth. What happens there? How fast can that stuff grow in a healthy 3, 4 percent long-term growth environment. A lot of analysts and so forth think that can grow somewhere between 8 to 12 percent, close to double digits. Then we have healthy organic growth in the business environment, that's a possibility. So again, that's all economic driven at this stage. The business equation is economic driven.

MARK CROSSMAN: But if you have housing starts growing at 1-plus percent, how can primary lines be flat unless people aren't connecting and getting phone service?

RANDALL: Well, there's the issue. I mean, what's happening in terms of substitution from wireless on a year over year basis. You get 1 percent substitution, yeah, that's probably reasonable.

ANNOUNCER: We have Frank Loupman from Raymond James on line with a question. Please state your question.

FRANK LOUPMAN: Good morning, maybe a little bit more color

possibly on the pension cost impacts that ticked a little bit there in the quarter. Is that sort of what we can expect going forward. Any thoughts on changes to assumptions for next year? And then on the DSL, can you give us an idea of what percentage our wholesale, and how has the Yahoo agreement impacted that relative to what your expectations were in the quarter?

RANDALL: In terms of the pension cost impacts, Frank, those numbers have run pretty consistent this year. Second quarter impact was a little worse than what you saw in 3rd quarter, because in 2nd quarter of last year we had some pension gains that hit in the 2nd quarter. But it's been pretty stable at that level for most of the year. In terms of assumption changes for next year, we're looking at it. I haven't made any decisions yet, but it's no secret to everybody that we're all going to see some pressure on the pension line next year, fairly significant. I'll tell you, we're also all going to experience some pressure on the medical line. We're seeing that this year. Medical costs are running much higher than the assumed rates inherently assumptioned, and so you'll see some pressure from that next year as well. On the DSL side, the percent wholesale is running about 20 percent, so 20 percent wholesale, about 80 percent retail, and we're really starting to see some good lift

from Yahoo. Our September run rate ramped up a little bit, and looked pretty good. So I'm pretty optimistic about 4th quarter.

FRANK LOUPMAN: Okay, great. And one follow-up, can you give us an idea with the unilines that you're losing, any idea for the ARPU for those lines that you're losing, and maybe characterize the number, the amount of lines from zone one territories relative to zone 2 and 3.

ED WHITTAKER: I don't think we'll give you that, but it's pretty clear that they're cherry-picking and not going after the below average customer. So they're certainly concentrated in the top quartiles. They're going after the high revenue customers, not the low numbers.

ANNOUNCER: We have Robert Fagan from Bear Stearns on line with a question. Please state your question.

ROBERT FAGAN: Thanks. I'm trying to dig a little deeper in terms of the moving parts on a top line. Could you maybe talk about the impact of access line losses versus perhaps your average bill trends because of bundling versus the economy. What are the moving parts; what are the most impactful inputs there?

RANDALL: Let me cut it this way. Basically what you see on the consumer side, and even voice in general, is we're

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running down about 7 percent on voice revenues. That pretty much tracks with the access line loss, retail access line loss. So it's a pretty simple equation. Retail access lines dropped 7 percent, and the voice revenues track down with it. Our ARPU on a retail basis, we're losing the high end to wholesale. By that same token we're having some success on bundling and offsetting that. So what you see is losing the high end to wholesale, doing some bundling, offsetting that, and so as a result, retail revenues track down with access lines. That's the equation you try to balance, quite frankly.

ROBERT FAGAN: So there's been no attrition in your average customer bill on the consumer side from bundling?

RANDALL: Well, yeah, I would tell you there has been slightly. I mean, it's kind of new right now, but there has been some slide increase in ARPU from bundling, but that's been offset by the fact of what Ed just articulated. We're losing the higher ARPU customers to the wholesale providers.

SPEAKER: Christina, we have time for one more question.

ANNOUNCER: Thank you. We have Tim Herran from CIBC World Markets on line with a question. Please state your question.

TIM HERRAN: Thanks, guys. In the 3rd quarter of last year you had some seasonality to access line on just total switch to

access lines, sequentially it declined 1.1 percent in the 2nd quarter of last year and .06 percent in the 3rd quarter of last year. This year we're not really seeing the seasonality. It seems like the 3rd quarter is a quite a bit weaker than the trends I would have expected. What are you kind of thinking for the 4th quarter at this point? Are the fundamentals and the trends in the access lines, do you think this kind of pace is going to continue?

ED WHITTAKER: I don't see anything to change the pace, Tim. Frankly the UNE-P continues to accelerate, that's most of our losses. So I don't see any change in the trends. I do expect to see some relief from that, though, certainly with the trying ill review completion.

TIM HERRAN: And just on the regulatory side, is there any talk on tiering retail prices a lot more aggressively than we've seen? The regulators have tiered obviously the wholesale prices; it would have to follow that the retail prices should be tiered at some point.

ED WHITTAKER: Well, there's really talk, Tim, on all fronts. And you can hear just about anything you want to hear. I can't really speak to that, but that and a lot of other things are being considered. So I really don't know how it's going to

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come out.

SPEAKER: Christina, we're finished with Q and A, I think so that concludes our call today, and we appreciate your interest in SBC.

ANNOUNCER: Thank you. This concludes today's teleconference. Thank you for participating. You may all disconnect at this time.

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Exhibit 3



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September 11, 2002

Dear

These are challenging times for all of us in business. But no industry has been hit harder than telecommunications. In just two years, 500,000 jobs and \$2 trillion in value have vanished. One hundred and fifteen telecommunications firms have filed for bankruptcy, with capital investments down by \$5 billion.

Michigan and SBC Ameritech, unfortunately, are not immune from the deep problems facing the economy and the telecommunications industry. Frankly, SBC's financial health is threatened, and SBC's 16,000 Michigan jobs and investment are at risk.

SBC's revenues have declined by over \$1 billion over the last three quarters.

SBC has lost 1.7 million of its retail lines in Michigan. That's the equivalent of Michigan losing two million citizens. SBC Ameritech is losing lines at a rate of more than 4,000 EVERY DAY. Year to date, revenue is down by 9.6%.

The number of SBC employees in Michigan has been at approximately 16,000 for a number of years. SBC investment in Michigan's infrastructure increased from \$572 million in 1999 to \$850 million last year. Adding salaries, corporate contributions to non-profits, and taxes paid, SBC's total investment in Michigan was approximately \$3 billion in 2001.

SBC is taking aggressive action to meet the challenge and to protect jobs and investment in Michigan.

1. Slashing prices to Michigan customers.

In June, SBC announced a price cut to more than 2.2 million of its Michigan customers, meaning a savings of more than \$26 million annually. And in August SBC, the Michigan Public Service Commission (MPSC), and Governor Engler announced a settlement that cuts the end user charge by about \$29 million annually.

2. Offering long distance to Michigan customers.

SBC will ask the FCC for approval this year for Michigan to join 15 other states where the local telephone company is allowed to compete for long distance customers.

Last week, the MPSC asked third party auditor, KPMG Consulting, to file a report about SBC's success in serving competitors. Another third party auditor, Ernst and Young, will supplement the report with further evidence. These reports will confirm the reality we Michiganians already know - the local network is open, and competition is skyrocketing. In fact, according to the MPSC, local telephone competition has tripled since 2000. Competitors to SBC now have more than a million and a half local lines in Michigan alone.

A recent report by TeleNomic Research estimates that Michiganians overpay for long distance by more than \$1 billion annually because there isn't enough competition among long distance providers. Once Michigan's application to the FCC is approved, consumers will be able to save more money, just as they already are in New York, Texas, and more than a dozen other states.

3. Reducing subsidies to companies like MCI WorldCom and AT&T.

On August 29, SBC asked the MPSC to reduce subsidies to companies who use SBC's network to compete against SBC for local telephone customers.

It may run counter to what most of us would recognize as common business practice, but MCI WorldCom, AT&T, and other companies are subsidized by SBC \$20 per line - a 60% discount - to compete against SBC in Michigan.

Michigan's subsidy is among the highest in the country and must be reduced. This level of subsidy makes it nearly impossible for SBC to maintain the current level of employment and investment. And, worst of all, it encourages companies NOT TO INVEST IN MICHIGAN OR HIRE MICHIGAN WORKERS.

Simply put, the time has come for competitors to pay their fair share for using SBC's network.

SBC is committed to Michigan and its 30,000 Michigan employees and retirees. I am convinced that Michigan's economy is strong and that all of us will see better days ahead. Permitting SBC to compete fairly is important to having a stronger and more prosperous Michigan.

Sincerely,

David Johnson

GFT:jkl